

Message Text

CONFIDENTIAL

PAGE 01 JAKART 08503 150330Z

73

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

TRSE-00 XMB-02 FRB-03 AID-05 OMB-01 /074 W

----- 054734

R 150240Z JUL 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9233

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 8503

E.O. 11652: GDS

TAGS: PINT ECON ID

SUBJECT: PRESS EDITORIALS SUPPORT GOI POLICY ON
PERTAMINA DEBTS

REF: A. JAKARTA 3676 B. JAKARTA 7892

1. SUMMARY AND COMMENT: MINISTER OF ECONOMY WIDJOJO'S STATEMENT TO PARLIAMENT JUNE 25 ON PERTAMINA FINANCIAL PROBLEM AND GOVERNMENT'S CORRECTIVE POLICIES AND PROGRAMS HAS EVOKED MUCH FAVORABLE COMMENT FROM PRESS. MOST PAPERS, INCLUDING MILITARY CONTROLLED BERITA YUDHA AND DEPARTMENT OF INFORMATION-LINKED INDONESIA TIMES, HAILED GOVERNMENT'S DECISION TO LEVEL WITH PUBLIC AND ITS EFFORTS TO CONTROL PERTAMINA, AND TOOK WIDJOJO'S STATEMENT AS CUE TO CRITICIZE PERTAMINA. ONLY DISSENT WAS BLAST BY MERDEKA-CONTROLLED OBSERVER WHICH, PREDICTABLY, BLAMED PERTAMINA PROBLEM ON TECHNOCRATS. GENERAL REACTION FROM PRESS AND OTHER COMMENTS HEARD BY EMBASSY INDICATE PRESIDENT AND TECHNOCRATS ARE WINNING SUPPORT FROM PUBLIC AND GOVERNMENT CIRCLES -- INCLUDING MILITARY ALTHOUGH EXTENT OF LATTER NOT CLEAR -- FOR FIRST PHASE OF PERTAMINA FINANCIAL REFORM EFFORT END SUMMARY AND COMMENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 08503 150330Z

2. WHEN FINANCIAL CRISIS CAUSED BY PERTAMINA'S CASH-FLOW

CAME TO LIGHT IN FEBRUARY, GOI SOUGHT TO DOWNPLAY THIS SENSITIVE ISSUE IN ORDER TO MINIMIZE CONCERN HERE AND ABROAD, WHILE MOVING QUICKLY TOWARD CORRECTIVE MEASURES. IBNU SUTOWO, ESPECIALLY, URGED GOI TO AVOID PUBLIC DISCUSSION OF PERTAMINA'S DIFFICULTIES AND WAS REPORTEDLY UPSET WHEN MINISTER OF MINES SADLI MENTIONED PROBLEM TO PRESS IN EARLY MAY AND ANNOUNCED GOVERNMENT WOULD MAKE STATEMENT TO DPR IN JUNE (REF A).

3. IN SPITE OF GROWING DISCUSSION OF PERTAMINA ISSUE IN INFORMED CIRCLES, ONLY TWO JOURNALS COMMENTED ON PROBLEM AT THAT TIME. PROGRESSIVE WEEKLY TEMPO REPORTED MAY 31 THAT GOVERNMENT HAD IMPOSED NEW CONTROLS BECAUSE, AMONG OTHER REASONS, SOME PERTAMINA CONTRACTS FOR BUILDING AND OTHER PROJECTS EXCEEDED NORMAL COSTS BY 200-300 PERCENT. ON MAY 5, WEEKLY TRIBUN, RUN BY MOSLEM UNIVERSITY STUDENTS (HMI(GROUP, CITED PERTAMINA'S "DISORDERLY" CASH MANAGMENT AND CALLED FOR SWEEPING REORGANIZATION TO MAKE PERTAMINA ACCOUNTABLE AND PRECENT IT FROM BECOMING "ECONOMIC ENCLAVE FOR SOLE BENEFIT OF ITS OFFICIALS AND FOREIGN CONTRACTORS." OTHER JAKARTA PAPERS CAUTIOUSLY AVOIDED COMMENT.

4. HOWEVER, AFTER WIDJOJO'S DETAILED EXPLANATION OF PERTAMINA PROBLEM AND GOVERNMENT'S CORRECTIVE MEASURES TO PARLIAMENT JUNE 25 (REF B), SEVERAL OTHER -- INCLUDING TWO GOVERNMENT-LINKED -- PAPERS RAN EDITORIALS STRONGLY SUPPORTING GOVERNMENT POLICIES AND PROGRAMS ANNOUNCED BY WIDJOJO AND CRITICIZING PERTAMINA.

5. IN JUNE 27 EDITORIAL, BERITA YUDHA SAID WIDJOJO'S STATEMENT SHOWED DETERMINATION TO "AVOID PAST MISTAKES" IN USE OF NATION'S MOST IMPORTANT DEVELOPMENT ASSET, NOTING PERTAMINA'S "EXCESSES" AND ALLEGATIONS THAT IT WAS "STATE WITHIN A STATE". FACT THAT BERITA YUDHA, WHICH IS RUN BY BAKIN (STATE INTELLIGENCE BOARD), INDICATES SUPPORT FROM THIS QUARTER OF MILITARY AT LEAST FOR NEW FINANCIAL CONTROL MEASURES ORDERED BY SUHARTO.

6. ENGLISH LANGUAGE INDONESIA TIMES, CONTROLLED BY OFFICIAL CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JAKARTA 08503 150330Z

ANTARA NEWS AGENCY AND MINISTER OF INFORMATION RAN STIFF EDITORIAL JUNE 27 SAYING GOVERNMENT AHD BEEN "CAUGHT UNAWARE" BY CRISIS; AND THAT PERTAMINA HAD BEEN BEYOND GOVERNMENT CONTROL; PERTAMINA HAD MADE "FATAL MISCALCULATIONS" AND SEEMED "UNABLE TO COPE WITH COMPLEXITIES OF BROAD COMPANY OPERATIONS." TIMES SAID NEW STRUCTURE OF CONTROL NEEDED OVER PERTAMINA, "NOT JUST PERSONAL CONFIDENCE." TIMES ALSO CRITICIZED EARLIER LIMITATIONS ON PRESS COVERAE OF PERTAMIN ISSUE WHICH HAD

"SHIELDED" MISTAKES, AND FAVORED "UNSOUND ELEMENTS" AND
THANKED FOREIGN PRESS FOR DISCLOSING PROBLEM.

7. LEADING INDEPENDENT DAILY KOMPAS JUNE 28 PRAISED NEW
CONTROLS OVER PERTAMINA ANNOUNCED BY WIDJOJO, SAYING
THESE SHOULD PERMANENTLY ELIMINATE PRACTICES AND EXCESSES BY
PERTAMINA OFFICIALS THAT HAVE PREVAILED IN PAST.

8. INDEPENDENT SINAR HARAPAN CHEERED GOVERNMENT'S NEW
POLICY OF "OPENESS" ON PERTAMINA PROBLEM IN JUNE 28
EDITORIAL ENTITLED "TREATING US IN A MORE MATURE MANNER."
SINAR URGED CONSTANT "SELF EXAMINATION" AND PUBLIC PARTICI-
PATION IN SUPERVISION OF PERTAMINA AND OIL ASSETS "SHICH
AFFECT COUNTRY'S SURVIVAL."

9. DAILY SUARA MERDEKA FROM CENTRAL JAVA CAPITAL OF
SEMARANG SAID JUNE 26 INDONESIA SHOULD HAVE USED OIL
PROCEEDS TO INCREASE PUBLIC WELFARE AS REQUIRED BY
CONSTITUTION AND BLAMED PERTAMINA FOR "IMAGE BUILDING."

10. ONLY PRO-PERTAMINA EDITORIAL EMBASSY HAS SEEN TO DATE
WAS JULY 2 COMMENT IN ENGLISH LANGUAGE INDONESIAN OBSERVER,
OWNED BY XENOPHOBIC MERDEKA CHINA. OBSERVER BLAMED
TECHNOCRATS "TRAINED IN THE HARVARD AND BERKELEY TRADITION"
FOR PERTAMINA CRISIS, CLAIMING PROBLEM CAUSED BY DEMANDS
ON PERTAMINA TO UNDERTAKE PROJECTS OUTSIDE OIL SECTOR, FOR
WHICH IT UNDERSTANDABLY LACKED EXPERIENCE.

11. IN COMMENTS TO PRESS FOLLOWING WIDJOJO'S STATEMENT
TO PARLIAMENT JUNE 25, MOSLEM FACTION BACK BENCHER
SOEDIRO SISWODARSONO ALSO CRITICIZED GOVERNMENT.
HE ARGUED PERTAMINA'S DIFFICULTIES RESULTED FROM LAX
SUPERVISION BY COMPANY'S BOARD OF SUPERVISORS? BANK OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 JAKART 08503 150330Z

INDONESIA LACKS EXPERTISE TO ADMINISTER NEW CONTROLS OVER
PERTAMINA; AND NEW CONTROLS MIGHT HINDER EFFICIENT
OPERATION OF PERTAMINA. OPPOSITE LINE WAS TAKEN BY
ANOTHER MP, HARAHAH (FACTION UNIDENTIFIED), WHO
CRITICIZED GOVERNMENT FOR FAILING TO REPLACE PERTAMINA
MANAGEMENT AND TO EXPLAIN OR PROSECUTE MANIPULATIONS AND
PURCHASES AT EXHORBITANTLY HIGH PRICES.
NEWSOM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, PETROLEUM INDUSTRY, PRESS COMMENTS, PUBLIC DISCLOSURE
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART08503
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750243-0697
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750756/aaaabxus.tel
Line Count: 162
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 JAKARTA 3676, 75 JAKARTA 7892
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2003 by BoyleJA>; APPROVED <17 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESS EDITORIALS SUPPORT GOI POLICY ON PERTAMINA DEBTS
TAGS: PINT, ECON, SOPN, ID, PERTAMINA, (WIDJOJO NITISASTRO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006